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THE EFFECT OF CORPORATE ACQUISITIONS ON STOCKHOLDER RETURNS IN THE LODGING INDUSTRY

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ABSTRACT

We examine the stock market's reaction to merger announcements in the lodging industry over the 1982-2000 period. Unlike the results for the overall market, we find that both the **stockholders** of the acquiring and target firms gain at the time of the merger announcement. **In the lodging industry, mergers are positive net present value investments for bidders, whereas for the overall market, merger bids are at the best zero net present value investments.** In addition, we found that shareholders benefit from mergers in the short- (one year), medium- (three year), and long-term (five year). Lastly, the wealth gains to tender offers are significantly greater than the wealth gains to mergers for both the portfolio of target and acquiring firms.